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Collective Bargaining and Inflation La négociation collective et l'inflation

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Résumé de l'article

Afin d'établir le rôle qu'a joué la négociation collective dans les récentes variations des prix et des salaires, nous tenterons de vérifier les six hypothèses suivantes :

- 1.—la négociation collective a une portée telle qu'on peut ressentir ses effets à travers tout le pays ;
- 2.—la négociation collective est centralisée permettant ainsi l'application soit uniforme, soit d'une autre façon rationnelle à l'échelle nationale des ententes salariales qu'elles que soient les différences de moyens ou de besoins entre les industries ou les compagnies impliquées ;
- 3.—la méthode d'imitation d'une négociation maîtresse est très utilisée ;
- 4.—les récentes ententes salariales ont des effets inflationnistes ;
- 5.—les augmentations importantes de salaires sont réservées aux secteurs syndiqués ;
- 6.—de façon générale, la négociation collective joue un rôle prépondérant dans la détermination des cycles et des événements économiques.

Après vérification, nous nous sommes aperçu que, de façon générale, ces hypothèses étaient loin de la réalité. Disons, en premier lieu, qu'environ 25% de la main-d'œuvre voit ses traitements et ses conditions de travail établis par le processus traditionnel de négociation collective. En second lieu, nous devons admettre que la négociation collective n'est pas centralisée. A quelques exceptions près, les décisions dans les négociations collectives sont prises localement, indépendamment des décisions prises ailleurs. En troisième lieu, disons que le « pattern bargaining » n'existe pas à l'échelle nationale. Ceux qui emploient cette méthode, le font habituellement pour une région géographique donnée : nous pouvons citer à ce sujet l'exemple de l'industrie automobile du sud-ouest ontarien et celle de l'industrie du papier dans l'est du pays.

Les faits ne supportent pas non plus la cinquième hypothèse (les augmentations de salaires des syndiqués sont plus grandes que celles de travailleurs non syndiqués). Les augmentations de traitement de plusieurs travailleurs non-syndiqués sont aussi sinon plus importantes que celles du secteur syndiqué.

Il y a peu d'informations disponibles pour la vérification de la quatrième hypothèse. Nous nous sommes aperçu que les récentes ententes salariales importantes avaient une portée à long terme et qu'elles furent négociées avant la hausse actuelle des prix et de l'activité économique. En plus, disons que l'augmentation de traitement inclus dans ces ententes représente deux choses différentes : d'abord un « rattrapage » puis une clause pour la prochaine période que couvre la convention. Nous pouvons cependant dire qu'il semble que les travailleurs soumis à une convention de longue période n'ont pas, durant une période de hausse des salaires, un train de vie aussi haut que ceux qui ont affaire à une entente de courte période.

En dernier lieu, une comparaison entre les tendances salariales et les tendances des autres variables économiques combinée avec l'information fournie dans cet article et les résultats d'études sur la détermination des salaires au Canada démontre que la négociation collective ne façonne pas le cours des événements économiques (6^e hypothèse). Les forces du marché sont à la base de la détermination des salaires dans notre pays, et dominent les développements de la négociation collective.

Après l'analyse que nous avons faite pour écrire cet article, nous pouvons conclure que la négociation collective n'a pas semblé être un facteur primordial ou même indépendant dans l'introduction de la récente période d'augmentation des prix. En plus, il existe un point encore moins réglé que les autres : c'est la question de savoir si la négociation collective a un rôle important à jouer dans le maintien, l'étendue ou l'accélération de l'inflation après qu'une hausse des prix et de l'activité économique ait été notée.

Les preuves à ce sujet sont contradictoires. On peut seulement dire, en attendant d'autres recherches que, vu la nature de l'économie canadienne et le processus de détermination des salaires, il est difficile d'accepter l'idée que la négociation collective a eu, sur le taux d'augmentation des prix une influence plus grande que celle des autres facteurs dans le processus inflationniste.

Collective Bargaining and Inflation

George Saunders

Pending the results of such further research it can only be concluded at this juncture that, given the nature of the Canadian economy and the system of wage determination, there is no reason to believe that the contribution of collective bargaining to recent price developments was any greater than that of other factors in the inflationary process.

This paper considers the role of collective bargaining in the development of inflation in Canada. The paper is confined to the question of whether collective bargaining has recently been pushing up wages and hence costs and prices. It will not be concerned with the issue of the use of collective bargaining as an instrument of government policy to help control wage inflation, a matter which is implicit in the wage policies of several western countries.

For purposes of the paper, it is assumed that the present period of rising prices can be characterized as a period of inflation. This assumption may be questioned since it is doubtful whether price rises of 3.5 to 4.5% per year, which has been the recent experience, could fit a definition of inflation. However, a continuation of this trend is serious, (the Economic Council has stated that an acceptable rate of price increase is about 2% per year), and it is this aspect of the present situation which gives justification to concern about wage and price behaviour in this country.

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* The views expressed in this paper are those of the author and do not necessarily reflect the thinking or policy of the Task Force of the Department of Labour. The paper is based on a talk given to the Second Annual Meeting of the Professional Institute of the Public Service of Alberta, Edmonton, February 17, 1968. Thanks are due Professor John Crispo for his helpful comments and George Jaycox for his assistance on the statistics and footnotes.

The role of collective bargaining in recent wage and price behaviour can be examined by a test of the six propositions listed below. It is hoped that this test will contribute to the establishment of a sound method for considering the degree to which collective bargaining can be blamed for inflation.

1. Collective bargaining is widespread so that its effects can be felt nationally;
2. Collective bargaining is centralized, thus permitting wage settlements to be applied uniformly on a national scale or in some other national rational manner, regardless of differences in abilities or needs among industries and companies;
3. Pattern bargaining, that is, the imitation of collective bargaining settlements, is widespread;
4. Recent wage settlements are inflationary in their effects;
5. Large wage increases are restricted to the union sector only;
6. In general, collective bargaining plays a major role in determining the course of the business cycle and the shape of economic events.

Collective Bargaining is Widespread

In Canada, this is far from the case. There are about 7½ million workers in the Canadian labour force and less than two million (or about one-quarter) are members of trade unions.¹ Most of these workers belong to unions in the blue collar sectors of manufacturing, forestry, construction, utilities, mining and transportation.² Very little organization is found in service, trade and finance or among the white collar, professional, scientific, and technical occupations, although in recent years a growing proportion of these workers, particularly public servants and certain professional occupations such as nurses, teachers and engineers, are participating in a form of collective bargaining as a method of setting their wages and working conditions. Thus, for the large majority of Canadian workers, wages and working conditions are determined outside of the traditional collective bargaining process.

(1) Canada Department of Labour, *Labour Organizations in Canada*, 1967, 56th Edition, Annual, Ottawa.

(2) Canada Department of Labour, Industrial and Geographic Distribution of Union Membership in Canada in 1967, *Labour Gazette*, February 1968, p. 91.

Collective Bargaining is Centralized

This is certainly not the case in Canada. Collective bargaining is decentralized at the level of the plant or company.³ Wage decisions made at this level are arrived at independently. There is no centralized system of collective bargaining as is found in certain other countries such as Sweden, nor is there a system of national coordination of wage decisions.

Unions in this country are not united for purposes of collective bargaining. Each union enjoys complete independence of action in the conduct of its affairs. It controls its own finances; makes its own decisions concerning discipline of union members, strikes and the formulation of collective bargaining policies; conducts its own negotiations; and administers its own agreements. To promote common interests, however, Canadian unions have joined together into loose federations — the major federations being the Canadian Labour Congress, to which about three-quarters of all union members are affiliated, and the Confederation of National Trade Unions, to which approximately 11% of union members, virtually all of them in the Province of Quebec, are affiliated.

The Canadian Labour Congress has no legal power over its affiliates and takes virtually no part in collective bargaining. It acts rather as a clearing house for information, undertakes research, assists affiliates in organizing and takes an active role in political activity. The amount of influence it can exert over affiliated unions is dependent on its prestige and the support it receives from member unions.

For purposes of collective bargaining, each union comprises a network of locals. These local unions usually have as members workers of individual establishments or some other defined local unit such as a community or part of a community. Although most unions in Canada are part of international unions with headquarters in the United States (almost three-quarters of all union members in Canada belong to international unions), their locals usually enjoy greater autonomy than their U.S. counterparts. In a study of union agreements on file in the Canada

(3) GEORGE SAUNDERS, *Wage Determination in Canada*, Occasional Paper No. 3, Canada Department of Labour, Queen's Printer, Ottawa, 1965, p. 7. Much of the material in this section is taken from this publication.

Department of Labour, it was found that between 70 and 80% of all union agreements in Canada covering about the same percentage of all workers under agreement, are negotiated between individual union locals and individual employers. The extent to which the local surrenders authority over bargaining is often more a decision of the local than of the national or international union as such.

On the employer side, there is even a greater degree of decentralization. Each company has sole responsibility for its industrial relations and personnel policies. Many companies belong to associations but these associations, in the main, exercise no control over company policies. A few employer associations bargain on behalf of member companies but where this occurs it is restricted geographically to cities, provinces or regions.

Aside from the structure of labour and management organizations, it would, in any event, be difficult to have coordinated bargaining because of the decentralization of political authority over labour matters and the principles governing the certification of bargaining units. Jurisdiction over collective bargaining is divided among 11 different governments, the 10 provincial governments and the federal government. The federal government has responsibility for less than 10% of the labour force, the remaining 90% or more come under provincial jurisdiction. Each jurisdiction has its own labour relations legislation. Although this legislation is generally similar in most jurisdictions, there are sufficient differences to discourage nation-wide or even region-wide coordination of collective bargaining in most industries. It is significant that the most successful example of nation-wide collective bargaining is in the railway industry which is under the jurisdiction of the federal government.

The certification process, that is, the process by which unions are legally recognized to bargain collectively, encourages bargaining at the level of the plant. To be certified, unions are required to demonstrate on application that the majority of the non-supervisory workers in a unit are bona fide members of the union. Determination of the unit is a decision of labour relations boards established under the legislation. Invariably these boards decide in terms of the producing unit, that is, the individual plant or part of a plant, basically following tradition and practice in the plant. Bargaining units extending beyond a recognized producing unit are not numerous and usually require the consent

of the employer or employers and unions involved before the boards will decide in favour of such units. The recognition and certification of a bargaining unit mean that bargaining negotiations involving multi-units are difficult without the agreement of both parties to such bargaining. The collective agreement carefully spells out in detail the unit and the employees in the unit affected by the terms of the agreement.

Pattern Bargaining is Widespread

Although multi-employer or industry-wide bargaining is rare in this country, the objectives of such bargaining can be achieved by the spread of settlements negotiated in « key » sectors. This phenomenon is called pattern bargaining and in Canada it is not widespread. An examination of statistics on negotiated settlements published regularly by the Economics and Research Branch of the Canada Department of Labour shows very little wage uniformity in collectively bargained agreements.⁴ Negotiated wage settlements vary from plant to plant, industry to industry, and area to area.

For example, in 1966 wage increases on base rates of labourers concluded in large negotiating units (that is, units covering 500 or more employees) ranged from as low as 4% to as high as 71% over the life of the contract, which means two or three years in most contracts.⁵ There was no one settlement which could be referred to as setting a pattern. Even the so-called « Pearson formula » of 30% in the seaway settlement could not be identified as setting a pattern, nor the 18% wage increase (which subsequently was revised to 24%) for railway workers.

It may be recalled that the settlement in the seaway dispute, which provided for a 30% increase in base rates for seaway workers over a two-year period, was labelled as a government settlement (hence the term « Pearson formula ») and consequently was hailed by many as giving labour official sanction to ask for 30% increases in their wages. The 18% settlement in the railway industry was also thought to be important for settlements elsewhere because of the position of the

(4) Canada Department of Labour, *Collective Bargaining Review*, Supplement to *Labour Gazette*. Also see Canada Department of Labour, *The Behaviour of Canadian Wages and Salaries in the Postwar Period*, November 1967, Table 12.

(5) Canada Department of Labour, *Collective Bargaining Review*, Supplement to *Labour Gazette*, January 1967.

railway industry in this country. However, in fact, as noted there was a wide variation in settlements in this period. Most of the settlements were below 20% over the life of the contract. This is not to deny that « key » settlements did not exercise some influence on the size of other settlements. There is little information on this matter and it is one which requires additional research. The statistics only tell us the extent to which similar terms are being bargained in various wage negotiations across the country.

Again, in the first half of 1967, wage increases on base rates provided for in major contracts also showed wide variations. In percentage terms, increases varied from 3% to 44% over the life of the contract.⁶ More than one-half the contracts provided for increases of less than 20%, a fifth of them gave increases ranging between 21% and 30% and the remainder gave more than 30%.

It may be argued that this variation is to be expected since contracts of varying lengths are being combined in the statistics. That this argument does not hold can be seen from the variation in wage increases provided for in 1967 in one-year contracts and in longer-term contracts signed in 1967.

Increases on base rates in major negotiation units to take effect in 1967 varied from as low as 3% to as high as 30%.⁷ About one-half of the contracts gave increases of less than 10%, nearly one-half were in the 10% to 20% range and the remainder were above 20%. These variations are as large within industries as among industries. For example, within forestry, 5 two-year major contracts were negotiated in the first half of 1967 and the wage increases provided varied from 20% to 41% over the life of the contract. In manufacturing, 21 three-year contracts gave increases varying from 9% to 31% over the life of the contract. These increases were spread over this range without any significant clustering. Similar variations are noted for other industries.

There is, thus, little uniformity in wage behaviour in major negotiations that take place in collective bargaining across the country. Exceptions to this rule, however, can be found in automobiles, can

(6) Canada Department of Labour, *Collective Bargaining Review*, Supplement to *Labour Gazette*, July 1967.

(7) *Ibid.*

manufacturing, steel, logging, meat packing and pulp and paper in which key settlements are usually followed from company to company within each of these industries but, with the possible exception of meat packing and can manufacturing, only within a specific geographic area such as a region or province. Pattern bargaining in meat packing is often nation-wide and in can manufacturing settlements in the two large companies are signed in the United States for all of North America.

There are various reasons why pattern bargaining is not more widespread in Canada. Certainly the press, radio and TV coverage of large settlements cannot but help influence union wage demands in various parts of the country and there is no doubt such demands do reflect wage developments elsewhere. However, what is demanded and what is settled are two entirely different things. The geographical dispersement of Canada and its population, the cultural and language differences between Quebec and the rest of the country, the geographical concentration of production and the international outlook of many Canadian industries are important factors working against national wage uniformity. Wage trends in British Columbia have little relevance for wage trends in the Maritime Provinces, some three thousand miles away. There is little relationship between pulp and paper settlements in British Columbia and settlements in this industry in Quebec and Ontario. The north-south pull of the United States is a very important consideration in the identification of wage trends in different parts of the country as opposed to trends east and west.

Another important factor which affects the degree of pattern bargaining in this country is the fixed term of collective agreements. Once signed, a collective agreement generally cannot be reopened until the expiry date even though, in the meantime, economic conditions might have changed radically or important settlements have taken place elsewhere. The increasing incidence of long-term agreements has widened the time span among expiry dates in various contracts, tending to result in further dilution in the spread of similar terms of settlement. A key agreement signed two or three years ago would have very little influence on the terms of settlement in agreements signed today.

Recent Wage Settlements are Inflationary

During the past two years there have been a number of very large wage settlements. The size of these settlements has given rise to concern

about their inflationary effect, especially in sectors where competitive forces are weak. These sectors include certain firms which are essential to the public welfare such as in air, rail, truck and water transportation and firms which enjoy monopolistic or oligopolistic market positions. In these sectors it is argued that collective bargaining in the usual sense does not operate effectively since employers have considerable room for passing the costs of wage settlements on to the consumer in the form of higher prices (or higher taxes), especially in periods of high economic activity.

However, in assessing these settlements it should be noted that in these monopolistic and public-sector areas a large number of the employees who had been able to negotiate large wage increases during this period had previously negotiated contracts three or four years ago before the current period of accelerated price increases and high levels of economic activity. Thus, in much of what was negotiated it may simply be that these employees are catching up. The effect of their settlements on costs may be a consequence, therefore, of the timing of these increases rather than their size. This is one of the prices the parties pay for the peaceful and stabilized relationships which long-term agreements give them.

Unfortunately, there is little information to assess the impact of long term agreements on wage trends. In a special investigation currently underway in the Economics and Research Branch of the Canada Department of Labour, it is being found that workers under long-term contracts are not obtaining as large annual wage increases as those under one-year agreements. For example, three-year contracts signed in 1964 gave relatively large wage increases but these increases were barely enough to keep up with wage increases provided for in one-year contracts signed over the three years 1964, 1965 and 1966. In the three-year contracts, which covered negotiating units of 500 or more workers, the average wage increase amounted to 24 cents per hour on base rates. In contrast, the one-year contracts covering negotiating units of similar size gave in total 26.5 cents per hour over the three years. Similar results are noted in a comparison of two-year contracts with one-year contracts, that is, workers working under two-year contracts signed in 1964 and 1965 were slightly worse off than workers under one-year contracts signed over the 1964 to 1966 period. According to these statistics, therefore, long-term agreements may have the effect of holding down wages in an upswing and this, in turn, results in large

wage demands at the expiry date to catch up and make provision for the following contract period.

Large Wage Increases are Restricted to the Union Sector Only

Statistics do not support this assertion. For example, between October 1964 and October 1967, average weekly wages and salaries increased by almost 17% in finance and 23% in service, two large non-union sectors, and by 18% in transportation and public utilities, 19% in forestry, 20% in manufacturing, and about 22% in mining, four heavily unionized sectors.⁸

Again, in this same period, white collar workers, who are not nearly as unionized as their blue collar counterparts, experienced increases in their salaries which were equal to or above wage increases received by blue collar workers. For example, in manufacturing, average weekly wages of blue collar workers rose some 18% between October 1964 and October 1967.⁹ Average weekly wages and salaries (separate data on average weekly salaries are not available) on the other hand rose, as indicated above, by 20%. Similar results are noted for other major sectors: the figures are, in mining, 22% for both wages and salaries; in construction, 35% for both categories of figures; and in hotels and restaurants, 14% for average weekly wages and salaries and 10% for average weekly wages.

This relative behaviour of wages and salaries between union and non-union workers is not new. Indeed, for the past 15 years or more the pay of large numbers of non-union workers has been keeping pace with or exceeding that of many unionized workers. For example, between 1953 and 1966, average weekly wages and salaries of employees in predominantly non-union finance and service increased by 80% and 89%, respectively. In the same period, average weekly wages and salaries in the predominantly unionized sectors rose by only 68% in transportation and public utilities, 69% in manufacturing, 74% in mining, and 80% in forestry. Similarly, salaries of white collar workers during this period have been rising at a faster rate than wages of blue

(8) Calculations based on data from Dominion Bureau of Statistics, *Employment and Payrolls* (Catalogue No. 72-002), Monthly, October 1964 and October 1967.

(9) Based on data from Dominion Bureau of Statistics, *Man-Hours and Hourly Earnings with Average Weekly Wages* (Catalogue No. 72-003), Monthly, October 1964 and October 1967.

collar workers. Whereas average weekly wages and salaries between 1953 and 1966 rose some 57% in hotels and restaurants, 69% in manufacturing, 74% in mining, and 98% in construction¹⁰, average weekly wages of blue collar workers in these sectors increased by only 38% in hotels and restaurants, 63% in manufacturing¹¹, 68% in mining, and 96% in construction¹².

These data simply reflect the operation of demand and supply forces. For example, finance and service have both undergone rapid expansion during the past 15 years and this is reflected in the growth of their employment relative to other industrial categories. Employment in finance and service increased by 84% and 196%, respectively, in the 1953-66 period, whereas in manufacturing, mining, forestry and transportation and public utilities, employment increases were only 29%, 15%, 6% and 50%, respectively.

These wage trends between union and non-union sectors are further confirmed by a comparison between the salaries of professional occupations and wages for certain blue collar classes. Data for this comparison are available for the 1958 and 1963 period only. Between these two years, increases in the salary rates of engineers and scientists varied between 16% and 35%. Most of the occupations experienced increases of 20% or more¹³. On the other hand, wage rates for labourers in

(10) Based on data from Dominion Bureau of Statistics, *Review of Employment and Payrolls*, Annual, 1964, (Catalogue No. 72-201) and *Employment and Average Weekly Wages and Salaries*, Monthly, March 1968, (Catalogue No. 72-002). For transportation and public utilities, 1953 data are calculated from the 1953 monthly *Employment and Payroll* bulletins and for hotels and restaurants, data are from October 1953 and October 1966 *Employment and Payroll* bulletins.

(11) It is interesting to note in this connection that weekly wage increases in manufacturing are not far out of line with productivity increases. Over the period 1953-66, output per manhour in manufacturing increased by 64% and output per person employed rose by 60%. See Dominion Bureau of Statistics, *Aggregate Productivity Trends, 1946-66*, (Catalogue No. 14-201), Annual. There are no separate productivity figures for other categories such as mining, construction, etc. However, output per person employed (output per manhour figures are in brackets) increases for the commercial sector as a whole in the 1953-66 period amounted to 48% (63%), in the non-agricultural goods-producing sector, 64% (71.6%), in non-manufacturing (commercial non-agriculture) 30% (42.7%), and in commercial service-producing, 16% (25.7%).

(12) Data from Dominion Bureau of Statistics, *Review of Manhours and Hourly Earnings*, Annual, 1964, (Catalogue No. 72-202) and *Manhours and Hourly Earnings*, Monthly, March 1968, (Catalogue No. 72-003).

(13) Canada Department of Labour, *Employment and Earnings in the Scientific and Technical Professions*, 1958-61, Report No. 12, September 1962, and *Annual Earnings in the Scientific and Technical Professions*, 1963, Professional Manpower Bulletin, No. 6, July 1964.

Toronto and Montreal rose between 8 and 15%, and for certain blue collar skilled workers in these two cities, between 15 and 19% in the same period¹⁴. This result is to be expected considering the very rapid expansion in the employment of highly trained manpower during the postwar period as compared to labourers and other blue collar occupations.

The statistics in this section relate to a comparison of wage increases in rapidly expanding non-union sectors with increases in predominantly unionized sectors. It might be added parenthetically (lest the wrong impression left) that there are large sectors of non-union workers who have not done as well as these workers. For example, wages and salaries in trade, a large non-union area, did not increase nearly as rapidly as did wages and salaries in the sectors described above. To illustrate, between October 1964 and October 1967, average weekly wages and salaries in trade rose only 11%, which is well below the increases recorded in this period in all other major sectors. Again, between 1953 and 1966, the wage and salary increases in trade amounted to only 58%, also the smallest rise of all the major sectors.

Unions Shape the Course of Business Cycles and Economic Events

Again, statistics do not support this contention. Wage behaviour has an historical relationship to the business cycle. This relationship is observed currently in both the union and non-union sectors and has been observed in the so-called non-union periods of the past. It is traditionally the case for wages increases to begin to accelerate as the peak of the business cycle is neared.¹⁵ It is also at this time that the rate of increase in profits and productivity begins to fall and unit costs rise. In typical business cycles, profits and productivity rise rapidly at the beginning of the upswing whereas wage and cost increases accelerate towards the end of the expansion. For example, in the recent period of expansion beginning in 1961, corporation profits before taxes in all industries rose by 10.5% between 1961 and 1962, 4.4% between 1962 and 1963, 14.6% between 1963 and 1964, 13.5% between 1964

(14) Canada Department of Labour, *Wage Rates, Salaries and Hours of Labour*, Annual, Report No. 41, 1958, Tables 88 and 89 and Report No. 46, 1963, Tables 90 and 92.

(15) Economic Council of Canada, *Third Annual Review, Prices, Productivity and Employment*, November 1966, pp. 42 and 98-99.

and 1965, and then fell off to a .2% decline between 1965 and 1966.¹⁶ Output per man hour in commercial non-agricultural industries showed a similar rate of advance, that is, increasing more rapidly in the early 1960's than in the mid-1960's.¹⁷ Wages and prices, on the other hand,

showed a reverse trend, that is, they increased at a more rapid rate during the latter part of the 1961-66 period than in the earlier part.¹⁸ It was not until 1966 that labour regained the share of total income it held nine years earlier in 1957.¹⁹

The extent to which wage behaviour is controlled by the economic environment is further evidenced in a comparison of wage trends in the long period of stable prices between 1958 and 1964 and the most recent period of expansion. In the former period, average weekly wages and salaries for all industry rose about 3½% per year which was well within the limits of reasonable price stability. Prices in this period rose at a rate of only 1 to 1½% per year. Since 1964, wage and salary increases have accelerated and are now increasing at a rate of about 6% per year, and prices between 3½% to 4½% annually.

(16) Dominion Bureau of Statistics, *Corporation Profits* (Catalogue No. 61-003), Quarterly. Figures are annual averages.

(17) Annual increases in output per manhour in commercial non-agriculture industries are as follows:

Year		Year	
1960-61	2.4	1963-64	3.0
1961-62	2.9	1964-65	2.5
1962-63	3.1	1965-66	1.8

Source: Dominion Bureau of Statistics, *Aggregate Productivity Trends 1946-66*, p. 22.

(18) For example, average weekly wages and salaries and prices increased as follows:

	Weekly Wages and Salaries		Consumer Price Index
	Industrial Composite	Manufacturing	
1960-61	3.1	3.2	0.9
1961-62	3.1	3.0	1.2
1962-63	3.5	3.7	1.8
1963-64	3.9	4.0	1.8
1964-65	5.0	5.6	2.4
1965-66	5.8	5.6	3.7
Oct. 1966-Oct. 67	5.7	6.2	3.6

Source: Data from Dominion Bureau of Statistics, *Employment and Payrolls* various issues and *Prices and Price Indexes*, May 1968.

(19) Dominion Bureau of Statistics, *National Accounts, Income and Expenditure*, (Catalogue No. 13-201), Annual, 1962 and 1967.

This result is repeated over and over again at the industrial, occupational, company and regional levels.²⁰ That is, wages increase faster in expanding industries, occupations, companies and regions than they do in declining sectors. The statistics quoted throughout this paper confirm this finding.²¹ The rapid growth of finance, service, construction and public utilities is reflected in pay advances in these industries which have outpaced pay increases in such industries as manufacturing, mining and trade, which have not grown as rapidly. In the same vein, average weekly wages and salaries rose less in the less prosperous Atlantic region than in British Columbia or Quebec, both of which experienced rapid economic growth relative to the Atlantic area during the past 15 years. Finally, as noted earlier, salaries of highly trained manpower have been rising at a much faster rate than wages of blue collar workers, reflecting the rapidly increasing demand for their services relative to those of manual workers.

These changes in the structure of wages and employment in the Canadian economy are currently reflected in wide differences in wage levels across industries, areas and occupations, with the highest wages being found in high productivity sectors and the lowest wages in low productivity sectors. Differences in wage levels in Canada are considered large by international standards. In 1965, wages and salaries in Canadian industry averaged about \$91.00 per week. In the lowest paid sector, service, the average was approximately \$66.00, which was about 40% lower than wages and salaries in the highest paid sector, namely, mining, which had average weekly wages and salaries of \$112.00. A similar variation occurs on a geographical basis. Weekly wages and salaries in Prince Edward Island averaged \$62.00 and in British Columbia, \$101.00. Within manufacturing, the highest wage industry has a wage level more than double that of the lowest wage manufacturing industry; wage differentials between skilled and unskilled workers within the same industry often amount to 50% and in some instances even 100%.

(20) Detailed evidence can be found in an examination of the earnings data in the monthly Dominion Bureau of Statistics reports on Employment and Payrolls and Manhour and Hourly Earnings; in the wage settlement data in the monthly *Labour Gazette* of the Canada Department of Labour; and in the annual Canada Department of Labour reports on *Wage Rates, Salaries and Hours of Labour*.

(21) Also see Canada Department of Labour, *The Behaviour of Canadian Wages and Salaries in the Postwar Period*, *op. cit.*; H.D. WOODS and SYLVIA OSTRY, *Labour Policy and Labour Economics in Canada*, MacMillan of Canada, Toronto, 1962, Chapters XIV to XVII; and GEORGE SAUNDERS, *op. cit.*

The significance of market forces in Canadian wage behaviour has been the main thrust of most studies of wages in Canada.²² These studies indicate or imply that collective bargaining has, at best, a minor role to play in wage setting, especially in terms of raising wages to a point where it has a significant impact on costs. Wages are shown to be more closely correlated with employment, prices, profits and productivity than with unionism. We may find a high correlation between the extent of collective bargaining and wages, but this may be because unionism tends to be concentrated in highly productive, high wage-paying industries. There are numerous examples of highly organized industries, such as clothing and textiles, in which wages are low compared to those of other equally well organized industries, such as automobiles and steel. In addition, there are a number of poorly unionized industries, such as petroleum and refining, paying some of the highest wages in the country.²³ One eminent author in the United States who undertook a study of wage structures in a number of countries concluded as follows for Canada:

« The Canadian case is one of a young and rapidly expanding economy, with large shifts occurring in the composition of labour demand and an unusual degree of decentralization and freedom in wage differentials of every type, and one would also expect rapid shiftings of differentials prompted mainly by labour demand and supply developments. The fact that events seem to accord closely with these a priori expectations suggests that economic theories of wage determination retain a high degree of usefulness in analysing liberal economies of the Canadian sort. »²⁴

Summary and Conclusion

In summary, based on the evidence presented in this paper, five of the six propositions examined failed to stand up to close scrutiny. The

(22) See for example: H.D. WOODS and SYLVIA OSTRY, *op. cit.*; S.F. KALISKI, « The Relation Between Unemployment and the Rate of Change of Money Wages in Canada », *International Economic Review*, January 1964; JOHN VANDERKAMP, « Wage and Price Level Determination — An Empirical Model for Canada », *Economica*, May 1966; R.G. BODKIN, E.P. BOND, G.L. REUBER, T.R. ROBINSON, *Price Stability and High Employment, The Options for Canadian Economic Policy*, Economic Council of Canada Special Study No. 5, 1967; L.G. REYNOLDS and C. TAFT, *Evolution of Wage Structure*, Yale University Press, 1956; Organization for Economic Co-operation and Development, *Wages and Labour Mobility*, Paris 1965; and GEORGE SAUNDERS, *Wages and Costs in Canadian Industry*, in U.S. Department of Labor and State of Florida, *Wage, Price and Productivity Statistics*, June 1964.

(23) See W.R. DYMOND and GEORGE SAUNDERS, *Hours of Work in Canada*, in Industrial Relations Research Association Publication, No. 32A, *Hours of Work*, editors Clyde E. Dankert, Floyd C. Mann and Herbert R. Northrup.

(24) L.G. REYNOLDS and C. TAFT, *op. cit.*, p. 315.

remaining proposition, « recent wage settlements are inflationary in their effects », contains some element of truth. Recent wage settlements have been large and could be potentially inflationary in their impact. But because they have been in long-term contracts for the most part, the impact may be more a function of the timing of the wage increases granted in these contracts rather than in their size. It was shown that over time the size of settlements in long-term contracts are no greater (and, in fact, may be less) than settlements in short-term contracts.

The analysis, therefore, strongly suggests that collective bargaining is not an independent nor primary factor in initiating the recent period of rising prices. Wages in the unionized sector, as in the non-unionized sector, are strongly determined by the operation of market forces.²⁵ Collective bargaining follows economic activity rather than leads it.

Less settled is the question of the role of collective bargaining in maintaining, spreading and perhaps accelerating inflation once a period of rising prices begins. The evidence on this is conflicting. On the one hand, note was made of the tendency for large wage increases negotiated in the union sector to lag behind changes in other economic variables and to be less than the advances in the pay of certain unorganized groups of workers especially those in the professional and scientific categories and those in fast expanding industries faced with extremely tight labour markets. On the other hand, the size and timing of these large negotiated wage settlements undoubtedly affect wage demands across the country. The precise impact of this influence cannot be determined with presently available information. Also very little is known about employer adjustments to rapid increases in wages. More research is required on these matters. Pending the results of such further research it can only be concluded at this juncture that, given the

(25) Perhaps more so than in most of the other western industrial democracies where collective bargaining is more widespread and more centralized. It is noteworthy that even in those countries market forces are important. This can be seen in the phenomenon of « wage drift » which measures the difference between actual changes in workers' wages and wage changes bargained in central negotiations. The difference results from employer practices at the plant or company level of increasing the pay of their employees above the bargained rate in order to meet the pressures of the market. Wage drift has been a particularly vexing problem in the Scandinavian countries, Holland and the United Kingdom, where negotiations are centralized either at the national or industry level. Similarly, an attempt to rationalize wages nationally in the United States via the guideline policy has recently broken down under the pressures of market forces. It is quite clear from the statistics quoted in this paper that wage drifts of sizeable proportions would have taken place in Canada in the last two or three years had uniform national agreements on wages and salaries been negotiated.

nature of the Canadian economy and the system of wage determination, there is no reason to believe that the contribution of collective bargaining to recent price developments was any greater than that of other factors in the inflationary process.

LA NÉGOCIATION COLLECTIVE ET L'INFLATION

Afin d'établir le rôle qu'a joué la négociation collective dans les récentes variations des prix et des salaires, nous tenterons de vérifier les six hypothèses suivantes :

- 1.—la négociation collective a une portée telle qu'on peut ressentir ses effets à travers tout le pays ;
- 2.—la négociation collective est centralisée permettant ainsi l'application soit uniforme, soit d'une autre façon rationnelle à l'échelle nationale des ententes salariales qu'elles que soient les différences de moyens ou de besoins entre les industries ou les compagnies impliquées ;
- 3.—la méthode d'imitation d'une négociation maîtresse est très utilisée ;
- 4.—les récentes ententes salariales ont des effets inflationnistes ;
- 5.—les augmentations importantes de salaires sont réservées aux secteurs syndiqués ;
- 6.—de façon générale, la négociation collective joue un rôle prépondérant dans la détermination des cycles et des événements économiques.

Après vérification, nous nous sommes aperçu que, de façon générale, ces hypothèses étaient loin de la réalité. Disons, en premier lieu, qu'environ 25% de la main-d'oeuvre voit ses traitements et ses conditions de travail établis par le processus traditionnel de négociation collective. En second lieu, nous devons admettre que la négociation collective n'est pas centralisée. A quelques exceptions près, les décisions dans les négociations collectives sont prises localement, indépendamment des décisions prises ailleurs. En troisième lieu, disons que le « pattern bargaining » n'existe pas à l'échelle nationale. Ceux qui emploient cette méthode, le font habituellement pour une région géographique donnée : nous pouvons citer à ce sujet l'exemple de l'industrie automobile du sud-ouest ontarien et celle de l'industrie du papier dans l'est du pays.

Les faits ne supportent pas non plus la cinquième hypothèse (les augmentations de salaires des syndiqués sont plus grandes que celles de travailleurs non syndiqués). Les augmentations de traitement de plusieurs travailleurs non-syndiqués sont aussi sinon plus importantes que celles du secteur syndiqué.

Il y a peu d'informations disponibles pour la vérification de la quatrième hypothèse. Nous nous sommes aperçu que les récentes ententes salariales importantes avaient une portée à long terme et qu'elles furent négociées avant la hausse actuelle des prix et de l'activité économique. En plus, disons que l'augmentation de traitement inclus dans ces ententes représente deux choses différentes : d'abord un « rattrapage » puis une clause pour la prochaine période que couvre la convention. Nous pouvons cependant dire qu'il semble que les travailleurs soumis à une convention de longue période n'ont pas, durant une période de hausse des salaires, un train de vie aussi haut que ceux qui ont affaire à une entente de courte période.

En dernier lieu, une comparaison entre les tendances salariales et les tendances des autres variables économiques combinée avec l'information fournie dans cet article et les résultats d'études sur la détermination des salaires au Canada démontre que la négociation collective ne façonne pas le cours des événements économiques (6e hypothèse). Les forces du marché sont à la base de la détermination des salaires dans notre pays, et dominent les développements de la négociation collective.

Après l'analyse que nous avons faite pour écrire cet article, nous pouvons conclure que la négociation collective n'a pas semblé être un facteur primordial ou même indépendant dans l'introduction de la récente période d'augmentation des prix. En plus, il existe un point encore moins réglé que les autres : c'est la question de savoir si la négociation collective a un rôle important à jouer dans le maintien, l'étendue ou l'accélération de l'inflation après qu'une hausse des prix et de l'activité économique ait été notée.

Les preuves à ce sujet sont contradictoires. On peut seulement dire, en attendant d'autres recherches que, vu la nature de l'économie canadienne et le processus de détermination des salaires, il est difficile d'accepter l'idée que la négociation collective a eu, sur le taux d'augmentation des prix une influence plus grande que celle des autres facteurs dans le processus inflationniste.

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